



3 Top Oil Stocks Defying the Bear Market

Description

2022 has witnessed a major bear market in stocks worldwide. The S&P 500 has fallen 20% for the year, the tech-heavy NASDAQ has dropped about 30%, and the TSX Composite Index is down about 10%. In this market, more stocks are declining than are rising. Nevertheless, one sector stands out as having beaten the averages this year: energy.

Energy stocks have done very well this year. The TSX Energy sub-index (that is, the index of energy stocks on the Toronto stock exchange) is up 40% for the year, and some individual energy stocks are up more than that. Because it has so many energy stocks, the TSX has outperformed the NYSE this year. Even when you adjust for currencies, Canadian stocks come out a little ahead of their U.S. peers for the year.

In this article, I will explore three energy stocks that are beating the market in 2022: two Canadian and one American.

Cenovus Energy

Cenovus Energy ([TSX:CVE](#)) is a Canadian oil stock that's up an astounding 64% this year. In the same period where many investors are losing money, Cenovus is delivering high double-digit returns. Thanks to this year's rise in oil prices, Cenovus has been bringing in a lot more revenue, and that has translated to a lot more profit. For example, in its most recent quarter, CVE brought in \$19.16 billion in sales, up 80%, and \$2.43 billion in earnings, up 985%. That kind of growth is hard not to notice, and the markets have rewarded it by sending CVE stock flying this year. It didn't hurt that CVE tripled its [dividend](#) after its first-quarter earnings release, either.

What does the future have in store for CVE? If oil prices stay relatively strong, then it has good things in store. The higher the price of oil goes, the more money CVE makes, both by selling crude oil on the open markets and at Husky Energy gas stations. Overall, things are looking promising for this company.

Baytex Energy

Baytex Energy ([TSX:BTE](#)) is a [TSX energy stock](#) that's up even more than CVE is. It is currently up 74% year to date, making it one of 2022's top-performing stocks. Why has BTE done so well compared to not just the markets, but even other oil stocks? It comes down to expectations.

Back when oil prices were low, Baytex Energy was in a lot of trouble. It had a huge mountain of debt that it acquired right before oil prices collapsed in 2014/2015. When oil prices fell, it became unprofitable. A lot of Canadian oil companies became unprofitable after the oil price crash, but BTE got hit harder than most due to the large interest payments on its debt.

However, this year it managed to start paying off some of its debt, which improved its balance sheet. Investors rewarded that improvement by sending the stock soaring.

Occidental Petroleum

Occidental Petroleum ([NYSE:OXY](#)) is the one U.S. energy stock on the list. Up 123% for the year, it is the single best-performing stock on the entire market. Occidental Petroleum is posting scorching-hot earnings growth this year, as it is making a lot of money off higher oil prices.

Most oil companies are making money off rising oil prices, but OXY has no refining operations, so it's getting a much bigger boost from the price movement than most companies. Most big oil companies own refineries, and refineries actually have weaker profit margins when oil goes up, because they have to buy oil before refining it. OXY has no exposure to that business segment, so it's outperforming the average oil stock.

CATEGORY

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1. NYSE:CVE (Cenovus Energy Inc.)
2. NYSE:OXY (Occidental Petroleum Corporation)
3. TSX:BTE (Baytex Energy Corp.)
4. TSX:CVE (Cenovus Energy Inc.)

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